

Message Text

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SUBJECT: FRG MEMORANDUM ON EC INDUSTRIAL POLICY

REF: (A) BRUSSELS 8670, (B) LONDON 7369

1. IN VIEW OF THE ATTENTION PAID TO LAMSDORFF'S REMARKS
ON STRUCTURAL ADJUSTMENT AND PROTECTIONISM MADE AT THE
MAY 2 EC COUNCIL MEETING, INFORMAL TRANSLATION OF
LAMSDORFF MEMORANDUM IS TRANSMITTED BELOW. FULL GERMAN
TEXT WHICH WAS MADE AVAILABLE TO THE PRESS IS BEING
POUCHED TO BONN AND WASHINGTON.

BEGIN TEXT

BONN, APRIL 28, 1978
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MEMORANDUM ON EC STRUCTURAL POLICY IN THE INDUSTRIAL
SECTOR

IN VIEW OF SLOW ECONOMIC GROWTH AND SERIOUS EMPLOY-
MENT PROBLEMS, REGULATIONS SPECIFICALLY DESIGNED FOR
INDIVIDUAL SECTORS ARE INCREASINGLY BEING SUBMITTED FOR

DISCUSSION IN THE COMMUNITY. THE GERMAN GOVERNMENT HAS NOT REJECTED SUCH REGULATIONS IN WELL-FOUNDED EXCEPTIONAL CASES SUCH AS THE STEEL AND TEXTILE INDUSTRIES. A SUMMATION OF SUCH SECTORAL INTERVENTIONS WOULD, HOWEVER, SERIOUSLY AFFECT THE EFFICIENCY OF THE ECONOMY AS A WHOLE. INTERVENTIONS, THEREFORE, MUST NOT GO BEYOND STRICTLY NECESSARY MEASURES, ESPECIALLY BECAUSE MANY SECTORAL PROBLEMS ARE NOT OF A STRUCTURAL BUT OF A CYCLICAL NATURE. IN ORDER NOT TO JEOPARDIZE GROWTH AND EMPLOYMENT, THE COMMUNITY AND THE MEMBER STATES SHOULD ORIENT THEIR INDUSTRIAL POLICY IN ACCORDANCE WITH THE FOLLOWING PRINCIPLES, WHICH HAVE PROVED THEIR WORTH IN PRACTICE.

I.

THE EUROPEAN ECONOMY IS CONFRONTED WITH FUNDAMENTAL CHANGES IN THE FRAMEWORK OF INTERNATIONAL ECONOMIC CONDITIONS, COMPOUNDED BY "DISTORTIONS" IN THE NATIONAL ECONOMIES AS A RESULT OF INFLATION. PROFOUND SHIFTS IN EXCHANGE RATES, THE EXTRAORDINARY RISE IN COMMODITY AND ENERGY PRICES OVER THE PAST YEARS, THE EMERGENCE OF IMPORT COMPETITION FROM DEVELOPING COUNTRIES, THE LEVEL AND STRUCTURE OF WAGE COSTS, ACCELERATING TECHNOLOGICAL PROGRESS, CHANGES IN THE STRUCTURE OF DEMAND, CAPACITY LEVELS WHICH IN PART NO LONGER CORRESPOND TO MARKET DEVELOPMENTS -- ALL THESE REQUIRE FAR-REACHING STRUCTURAL

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ADJUSTMENTS FROM LARGE SECTORS OF THE ECONOMY.

THE COMMUNITY MUST MAKE USE OF THE OVERALL ECONOMIC ADVANTAGES AND OPPORTUNITIES OF STRUCTURAL CHANGES: MODERNIZATION OF THE PRODUCTION AND DISTRIBUTION APPARATUS WITH SUSTAINED IMPROVEMENTS OF PRODUCTIVITY, MAINTENANCE AND STRENGTHENING OF INTERNATIONAL COMPETITIVENESS, AS WELL AS THE LASTING ASSURANCE OF EMPLOYMENT. STRUCTURAL ADJUSTMENT IS AN ESSENTIAL ELEMENT ON THE WAY TOWARD ECONOMIC AND MONETARY UNION; MONETARY ASSISTANCE ALONE CANNOT ACHIEVE THIS OBJECTIVE.

1. THE MANAGEMENT OF STRUCTURAL CHANGES IS FIRST OF ALL THE RESPONSIBILITY OF THE ENTERPRISES. IT CALLS FOR INITIATIVE, FLEXIBILITY AND A READINESS TO ACCEPT RISKS. THE MEMBER STATES AND THE COMMUNITY SHOULD SUPPORT THE ADJUSTMENT AND INNOVATION PROCESS ORIGINATING IN THE MARKET AND STRENGTHEN THE READINESS FOR STRUCTURAL CHANGE BY CREATING APPROPRIATE "BASIC" CONDITIONS. WITHOUT ADEQUATE EFFORTS ON THE PART OF THE ENTERPRISES, ANY ASSISTANCE WOULD REMAIN INEFFECTIVE.

2. IN OUR NATIONAL ECONOMIES, INTERDEPENDENT IN THE
WORLD ECONOMY, STRUCTURAL CHANGE IS DIFFICULT TO FORESEE IN
ITS INDIVIDUAL DIRECTIONS OF DEVELOPMENT, AND ESPECIALLY IN
ITS SECTORAL REPERCUSSIONS. THE COMMUNITY AND THE MEMBER
STATES CANNOT TELL THE ENTERPRISES WHICH ARE THE "RIGHT"
STRUCTURES. IT IS HARDLY POSSIBLE, AND INVOLVES
CONSIDERABLE RISKS, TO DEFINE GROWTH INDUSTRIES OR THOSE

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WHICH WILL SHRINK; DECISIVE IN SPECIFIC CASES IS THE
COMPETITIVENESS OF THE INDIVIDUAL ENTERPRISE. A LIST OF
GROWTH INDUSTRIES COULD, FOR EXAMPLE, GIVE RISE TO COSTLY
BAD INVESTMENTS AND NEGATIVE REPERCUSSIONS ON GROWTH AND
EMPLOYMENT.

DESIRABLE, ON THE OTHER HAND, IS A BETTER COMPREHEN-
SION OF STRUCTURAL SHIFTS RELEVANT TO THE ECONOMY AS A
WHOLE; THEIR BETTER RECOGNITION MAKES IT POSSIBLE TO
POINT OUT UNDESIRABLE DEVELOPMENTS IN TIME AND THUS TO
IMPROVE THE PRECONDITIONS TO A DIMINUTION OF FRICTIONS IN
THE PROCESS OF STRUCTURAL CHANGE AND TO ENHANCE THE
EFFECTIVENESS OF THE MARKET MECHANISM. THIS SHOULD NOT BE
A MATTER OF ANALYSES OR PROGNOSES OF AN OFFICIAL NATURE,
SINCE THESE COULD BE MISUNDERSTOOD AS POLICY GUIDELINES
FOR THOSE PARTICIPATING IN THE MARKET, WITH THE ATTENDANT
RISK OF CUMULATIVE MISMANAGEMENT. FOOTNOTE A.

FOOTNOTE A. THE GERMAN GOVERNMENT HAS INITIATED THE

PREPARATION BY 5 ECONOMIC RESEARCH INSTITUTES OF REGULAR
REPORTS ON SECTORAL STRUCTURES. THIS IS NOT A MATTER OF
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EX POST ANALYSES CONDUCTED WITHIN A NATIONAL ACCOUNTS
FRAMEWORK; ISOLATED ANALYSES OF INDIVIDUAL SECTORS ARE NOT
TO BECOME COMPONENTS OF THE STRUCTURAL REPORTS. IF THE
INSTITUTES ISSUE PROGNOSSES ON FUTURE DEVELOPMENTS ON
THIS BASIS, THEY WILL DO SO ON THEIR OWN RESPONSIBILITY.
THE STRUCTURAL REPORTS ARE TO BE PREPARED SEPARATELY
BY EACH INSTITUTE ACTING ON ITS OWN RESPONSIBILITY, IN
ORDER TO GUARANTEE THE NECESSARY COMPETITION BETWEEN THE
INSTITUTES AS REGARDS METHODS AND INTERPRETATIONS; JOINT
DIAGNOSES OR PROGNOSSES BY THE 5 INSTITUTES ARE NOT PLANNED.

3. THE MAINSPRING OF ADJUSTMENT OF OBSOLESCEMENT
STRUCTURES IS COMPETITION IN THE MARKETPLACE. IN ITS
ABSENCE, THE COMPULSION TO TECHNOLOGICAL PROGRESS, AND
HENCE THE COMMUNITY'S COMPETITIVENESS, WOULD DIMINISH.
THE TASK OF KEEPING MARKETS OPEN AND OPENING THEM FURTHER
ARISES IN THE MEMBER STATES, IN THE COMMUNITY AND WORLD-
WIDE.

EVEN IN A NATIONAL FRAMEWORK, BARRIERS BETWEEN
SECTORS AND PRIVILEGES FOR INDIVIDUAL AREAS MUST BE
OBIATED. COMPETITION MUST NOT BE RESTRICTED BY MARKETING
AGREEMENTS; IT SHOULD RATHER BE STRENGTHENED BY THE
EMERGENCE OF NEW ENTERPRISES. EXPERIENCE HAS ALSO SHOWN
THAT MERGERS IN MANY CASES INCREASE RATHER THAN REDUCE THE
EMPLOYMENT HAZARD IN THE MEDIUM AND LONG TERM BECAUSE OF
THE DESIRED RATIONALIZATION EFFECT. IN ADDITION, SMALL
AND MEDIUM ENTERPRISES ADJUST MORE EASILY TO CHANGED
STRUCTURES THAN DO LARGE ONES.

ON A COMMUNITY LEVEL THERE IS ADDITIONALLY THE
CENTRAL TASK OF INSURING THE FREE MOVEMENT OF GOODS AND
REDUCING THE BARRIERS STILL EXISTING BETWEEN THE MEMBER
STATES: FROM THE APPROXIMATION OF VARYING NATIONAL LEGAL
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AND ADMINISTRATIVE REGULATIONS WHICH STILL AFFECT THE
FREE MOVEMENT OF MERCHANDISE IN A CONSIDERABLE MEASURE TO
THE REMOVAL OF FISCAL AND SOCIAL OBSTACLES TO BORDER-
CROSSING COOPERATION AMONG ENTERPRISES.

IN AN INTERNATIONAL FRAMEWORK, THE DEGREE OF WORLD
TRADE LIBERALIZATION MUST BE MAINTAINED AND EXPANDED. A
SUCCESSFUL CONCLUSION OF THE GATT TRADE NEGOTIATIONS WILL

STRENGTHEN CONFIDENCE IN THE EFFECTIVE FUNCTIONING OF THE FREE INTERNATIONAL ECONOMIC SYSTEM, AND THEREBY BECOME AN IMPORTANT GROWTH STIMULUS, ON CONDITION, HOWEVER, THAT THE COMPREHENSIVE REGULATIONS SOUGHT IN THESE NEGOTIATIONS FOR BOTH THE TARIFF AND NON-TARIFF AREAS BE INDEED CONDUCTIVE TO AN IMPROVEMENT OF WORLD TRADE CONDITIONS: IN PARTICULAR, IF A SELECTIVE SAFEGUARD CLAUSE IS ADOPTED, ITS GREATER FLEXIBILITY OF APPLICATION MUST BE COUNTERBALANCED BY STRICTER MORE EFFECTIVE INTERNATIONAL SURVEILLANCE, CONDITIONS OF APPLICABILITY AND MORE EFFECTIVE INTERNATIONAL SURVEILLANCE.

4. WITH A VIEW TO FACILITATING STRUCTURAL ADJUSTMENTS, THE BASIC CONDITIONS FOR INCREASING THE ENTERPRISES' PREPAREDNESS CAPACITY FOR INNOVATION CAN BE IMPROVED. AN IMPORTANT ROLE ALSO FALLS TO RESEARCH POLICY. THE COMMUNITY SHOULD ALSO IN THE FUTURE PROMOTE THE DEVELOPMENT OF ADVANCED TECHNOLOGIES TO THE EXTENT THAT PUBLIC SUPPORT IS NECESSARY TO THIS END AND THAT THIS SUPPORT CAN BE GRANTED MORE EFFECTIVELY ON A COMMUNITY LEVEL. A PRE-CONDITION SHOULD BE THE SUBMISSION OF CONCRETE PROJECTS WHICH ARE IN THE COMMON INTEREST. IF ACROSS-THE-BOARD FINANCING INSTRUMENTS WERE CREATED, THERE WOULD BE A DANGER OF FINANCING ALSO PROJECTS WHICH DO NOT HAVE PRIORITY.

THE COMMUNITY AND THE MEMBER STATES MAY ALSO

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ASSOCIATE STRUCTURAL CHANGES WITH REGIONAL POLICY AND
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SOCIAL POLICY MEASURES BY PROMOTING ALTERNATIVE JOBS AND THE INFRASTRUCTURE THEY REQUIRE, AS WELL AS WORKER MOBILITY.

GENERALLY, THE LIMITED MEANS AVAILABLE FOR PUBLIC AID SHOULD BE USED FOR THE PROMOTION OF STRUCTURAL CHANGE AND NOT FOR STRUCTURE-CONSERVING MEASURES. THIS APPLIES TO THE STRUCTURALLY EFFECTIVE FINANCING INSTRUMENTS OF THE COMMUNITY, SUCH AS:

- GRANTS FROM THE REGIONAL FUND
THIS IS PRIMARILY A MATTER OF CREATING PRODUCTIVE JOBS FOR WORKERS WHO AS A RESULT OF STRUCTURAL CHANGE LEAVE CERTAIN SECTORS OF INDUSTRY OR AGRICULTURE; THE MEANS SHOULD PRIMARILY BE CONCENTRATED ON ECONOMICALLY WEAK REGIONS;

- GRANTS FROM THE SOCIAL FUND
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PRIORITY IS GIVEN TO SUPPORT FOR NATIONAL LABOR MARKET POLICIES IN THEIR EFFORTS TO INCREASE THE VOCATIONAL AND REGIONAL MOBILITY OF WORKERS;

- LOANS FROM THE EUROPEAN INVESTMENT BANK, WHOSE LENDING CAPACITY HAS BEEN SUBSTANTIALLY INCREASED FOR 1978 AND (THE ORTOLI FACILITY) OF 1 BILLION EUA FOR STRUCTURAL LOANS WHICH HAS BEEN AGREED UPON IN PRINCIPLE.

THESE MEANS MUST BE USED, IN ACCORDANCE WITH BANKING CRITERIA, FOR THE FINANCING OF REGIONAL ECONOMIC SIGNIFICANCE, I.E., INVESTMENTS WHICH CONTRIBUTE TO THE DEVELOPMENT OR RECONVERSION OF ECONOMICALLY WEAK COMMUNITY REGIONS -- AND FOR THE FINANCING OF ENERGY ECONOMY PROJECTS AS WELL AS FOR THE MODERNIZATION AND RECONVERSION OF ENTERPRISES. THE SAME PRINCIPLES SHOULD ALSO APPLY TO MEMBER STATE FINANCIAL AIDS. THE EXISTING COMMUNITY AND MEMBER STATE INSTRUMENTS OF STRUCTURAL AND LABOR MARKET POLICIES MUST BE PURPOSEFULLY COORDINATED AND AIMED AT FACILITATING STRUCTURAL CHANGE.

5. HOWEVER, SHOULD IT BECOME NECESSARY IN NARROWLY DELIMITED EXCEPTIONAL CASES, IN VIEW OF SLOW ECONOMIC GROWTH AND GREAT EMPLOYMENT PROBLEMS, TO SLOW DOWN THE ADJUSTMENT PROCESS DETERMINED BY MARKET FORCES FOR REGIONAL POLICY OR SOCIAL POLICY REASONS, TEMPORARY TRANSITIONAL REGULATIONS COULD BE PERMITTED IF THEY SERVE AS A SELF-AID AND DO NOT OBSTRUCT THE NECESSARY ADJUST-

MENTS TO CHANGED MARKET CONDITIONS. THE GERMAN GOVERNMENT,
FOR EXAMPLE, DOES NOT OPPOSE A STRUCTURAL-CRISIS CARTEL IN
THE CHEMICAL FIBERS AREA COMPATIBLE WITH NATIONAL AND EC
CARTEL LEGISLATION AND DESIGNED TO REDUCE SURPLUS
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CAPACITIES. ALSO, THE SECURITY OF SUPPLY CONSIDERATIONS
IN THE ENERGY SECTOR ARE TO BE TAKEN INTO ACCOUNT
ESPECIALLY.

ON NO ACCOUNT, HOWEVER, MUST ONE SECTOR AFTER
ANOTHER BE COVERED BY REGULATIONS. THE REGULATIONS
CONCERNING THE STEEL SECTOR MUST NOT BECOME A PRECEDENT
FOR INTERVENTIONS IN OTHER SECTORS. THE COMMUNITY AND
THE MEMBER STATES MUST PREVENT THE EFFICACY OF THE GENERAL
ECONOMY FROM BEING AFFECTED BY A SUMMATION OF SUCH
INTERVENTIONS.

II.

THE GERMAN GOVERNMENT IS CONVINCED THAT IT WOULD BE
WRONG TO REACT DEFENSIVELY TO THE CHANGES IN THE INTER-
NATIONAL ECONOMIC SCENE BY ADOPTING STRUCTURE-CONSERVING
MEASURES, BECAUSE EXPERIENCE HAS SHOWN THAT SECTORS FOR
WHICH STRUCTURAL CONSERVATION MEASURES HAVE ONCE BEEN
ADOPTED ARE RARELY RELEASED INTO NORMAL COMPETITION. IT
HAS BEEN SEEN THAT ALL SUCH MEASURES ALWAYS INVOLVE GREAT
LOSSES OF PRODUCTIVITY AND GROWTH NOT ONLY IN THE SHORT
TERM BUT ALSO IN THE MEDIUM AND LONGER TERM, BECAUSE
UNPRODUCTIVE FACILITIES ARE PRESERVED WHILE INVESTMENTS
IN OTHER, MORE PRODUCTIVE AREAS ARE NOT UNDERTAKEN. THEY
(SUCH MEASURES) IMPEDE TECHNOLOGICAL, SCIENTIFIC AND SOCIAL
PROGRESS, JEOPARDIZING THE COMMUNITY'S INTERNATIONAL
COMPETITIVENESS IN THE LONG RUN, AND ARE THEREFORE NOT
SUITED TO SECURE ENDANGERED JOBS DURABLY.

1. FOREIGN ECONOMIC PROTECTIONISM -- FROM CLASSIC

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TRADE-RESTRICTING MEASURES SUCH AS QUANTITATIVE RESTRICTIONS, TO ABUSE OF TECHNICAL REGULATIONS FOR TRADE POLICY PURPOSES, TO INVITATIONS TO BUY NATIONAL PRODUCTS -- WOULD

- (A) ONLY STRENGTHEN AN ECONOMIC GROWTH PESSIMISM ALREADY WIDESPREAD IN THE WORLD, BECAUSE THE EC, AS THE BIGGEST TRADING POWER, BEARS A GREAT MEASURE OF RESPONSIBILITY FOR FREE WORLD TRADE;
- (B) LEAD TO RETALIATORY MEASURES BY OUR TRADING PARTNERS, MEASURES WHICH WOULD SERIOUSLY AFFECT THE COMMUNITY'S EXPORT-DEPENDENT ECONOMY AND, IN ADDITION, PROVIDE OTHER COUNTRIES WITH A WELCOME EXCUSE FOR PROTECTIONIST MEASURES OF THEIR OWN;
- (C) CONTRADICT THE OBJECTIVE OF REDUCING THE GAP BETWEEN INDUSTRIALIZED AND DEVELOPING COUNTRIES, THE LATTER OF WHICH WE CAN LASTINGLY HELP ONLY BY OPENING OUR MARKETS AND INCLUDING THEM IN THE INTERNATIONAL ECONOMIC DIVISION OF LABOR;
- (D) ALSO JEOPARDIZE POLITICAL RELATIONS WITH THIRD COUNTRIES;

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- (E) INCREASINGLY INJURE THE "DOWNSTREAM" INDUSTRIES, WHICH WOULD BE ADVERSELY AFFECTED BY THE INCREASE IN THE COST OF THEIR MATERIALS, AND WHICH WOULD ALSO REQUEST PROTECTIVE MEASURES;
- (F) AND FINALLY -- IN THE EVENT OF MORE AND MORE FREQUENT APPLICATIONS OF ARTICLE 115 OF THE EEC TREATY -- AFFECT FREE TRADE OF GOODS WITHIN THE COMMUNITY.

THE GERMAN GOVERNMENT, FOR THESE REASONS, HAS APPROVED THE IMPORT REGULATIONS IN THE TEXTILE AND STEEL SECTORS ONLY WITH CONSIDERABLE RESERVATIONS, IN ORDER TO OBVIATE OTHER, NATIONAL PROTECTIVE MEASURES WHICH WOULD OTHERWISE HAVE THREATENED AND TO MAINTAIN THE STATE OF

INTEGRATION IN THE EC. THE TEMPORARY RESTRICTIONS INTRODUCED IN THE STEEL SECTOR MUST BE TERMINATED AS SOON AS POSSIBLE. UNTIL THEN, THE MEASURES DECIDED BY THE COUNCIL MUST BE APPLIED WITH THE NECESSARY FLEXIBILITY. THE MEASURES REGULATING TEXTILE IMPORTS ARE TEMPORARILY TOLERABLE ONLY ON THE BASIS OF THE VIEW THAT THE EXISTING WORLDWIDE CONSENSUS ON THE SPECIAL SITUATION OF THE WORLD TEXTILE ECONOMY HAS ALREADY LONG SINCE BEEN REFLECTED IN SPECIAL TRADE POLICY REGULATIONS.

2. FORMAL AND INFORMAL AGREEMENTS ON CAPACITY AND PRODUCTION PLANNING AND MARKET SHARING LASTINGLY AFFECT COMPETITION AND, IN ADDITION, INVOLVE THE DANGER OF CUMULATIVE MISORIENTATIONS OF INVESTMENTS DECISIONS, BECAUSE A SUFFICIENTLY RELIABLE PREDICTION, ESPECIALLY OF DEMAND, HAS PROVED IMPOSSIBLE.

THIS APPLIES TO AGREEMENTS BETWEEN ENTERPRISES, BUT EQUALLY TO CORRESPONDING AGREEMENTS ON A POLITICAL LEVEL. WERE THE COMMUNITY, FOR EXAMPLE, TO SET AND MAKE KNOWN A QUANTITATIVE, INDICATIVE OBJECTIVE OF PRODUCTION FOR A

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GIVEN SECTOR, THAT WOULD CONSIDERABLY AFFECT CORPORATE DECISIONS. IF THE PRODUCTION TARGET TURNED OUT TO BE ERRONEOUS, THE COMMUNITY AND THE MEMBER STATES WOULD HAVE TO FACE NEW, HARD-TO-REJECT DEMANDS FOR PROTECTIVE AND SUPPORTING MEASURES, IN ADDITION TO GROWTH AND EMPLOYMENT LOSSES. GRAVELY OBJECTIONABLE ARE ALSO ONGOING CONSIDERATIONS WITHIN THE COMMISSION TO THE EFFECT THAT THE COMMUNITY SHOULD ENTER INTO CONSULTATIONS WITH ITS TRADING PARTNERS -- FOR INSTANCE JAPAN OR THE 53 DEVELOPING COUNTRIES ASSOCIATED UNDER THE LOME CONVENTION -- TO DETERMINE WHICH PRODUCTS THEY MAY SELL IN THE COMMUNITY MARKET AND HOW THEY SHOULD PLAN THEIR PRODUCTION IN ACCORDANCE. THIS CUMULATES THE NEGATIVE REPERCUSSIONS OF PROTECTIONISM AND OFFICIAL SECTORAL FORECASTS.

3. INTERVENTIONS IN PRICE FORMATION MERELY SHIFT THE PROBLEMS TO "DOWNSTREAM" INDUSTRIES AND AFFECT THEIR COMPETITIVENESS. THE MEASURES ADOPTED IN THE STEEL SECTOR HAVE CONSIDERABLY INTENSIFIED THE PROBLEMS OF THE STEEL-PROCESSING INDUSTRIES -- AT THE FIRST STAGE, BUT ALSO IN SHIPYARDS, MACHINERY AND CONSTRUCTION -- AND TRIGGERED DEMANDS FOR COMPLEMENTARY REGULATIONS FOR THEIR FIELDS. ARTIFICIALLY HIGH DOMESTIC PRICES CAN ALSO LEAD TO DIFFERENCES WITH THIRD COUNTRIES, WHICH CAN CHARGE EC DUMPING.

4. SUBSIDIES FOR (INDUSTRIAL) PRESERVATION DESCRIBED AS ADJUSTMENT AID HAVE A TENDENCY TO PERPETUA-

TION, AS EXPERIENCE HAS SHOWN. THEY RESULT IN TECHNICALLY
OBSOLETE, UNPROFITABLE PLANTS BEING PRESERVED, WHILE AT
THE SAME TIME MODERN INSTALLATIONS ELSEWHERE ARE DROPPED

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FROM THE PRODUCTION PROCESS OR CANNOT BE CONSTRUCTED. THEY
LEAD TO AN EXPENSIVE SUBSIDY RACE AMONG COUNTRIES AND GIVE
AN ADDITIONAL IMPETUS TO CALLS FOR PROTECTION OF ONE'S
OWN MARKET AGAINST SUBSIDIZED PRODUCTS FROM TRADING
PARTNERS.

THE COMMISSION SHOULD TAKE A STRONGER LINE AGAINST
SUCH AIDS THAN UP TO NOW. IT SHOULD NOT CONFINE ITSELF IN
THIS MATTER TO FORBIDDING THE AIDS GRANTED TO PRIVATE
ENTERPRISES, BUT IT MUST ALSO STEP IN WHEN COMPETITION --
AS IS THE CASE IN SUCH IMPORTANT SECTORS AS STEEL,
SHIPBUILDING, CHEMICAL FIBERS -- IS DISTORTED BY THE
GOVERNMENT TAKING OVER THE LOSSES OF GOVERNMENTAL OR
SEMI-GOVERNMENTAL ENTERPRISES.

5. DEMANDS FOR STRUCTURAL CONSERVATION MEASURES
BECOME EVEN MORE VOCAL WHEN ROUNDS OF CONVERSATIONS
CONCERNING CERTAIN SECTORS ARE INSTITUTIONALIZED,
ESPECIALLY WHEN ROUND-TABLE SECTORAL COMMITTEES ARE
INSTITUTED. THEIR VERY INSTITUTION GIVES RISE IN THOSE
CONCERNED TO THE EXPECTATION THAT THE STRUCTURES CAN
REMAIN ESSENTIALLY UNCHANGED. THEY TAKE GUIDANCE FROM
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THEIR SECTORAL INTERESTS AND PUT FORWARD DEMANDS FOR THE
SOLUTION OF THEIR SPECIFIC SECTORAL PROBLEMS, DEMANDS
WHICH THE COMMUNITY CAN THEN RESIST ONLY WITH DIFFICULTY.
THE NECESSARY CONSULTATION BETWEEN THE SOCIAL PARTNERS AT
COMMUNITY LEVEL, ESPECIALLY IN THE TRIPARTITE CONFERENCE
AND IN THE ECONOMIC AND SOCIAL COMMITTEE, SHOULD,
THEREFORE, BE CONDUCTED IN A TRANS-SECTORAL FRAMEWORK.
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Review Release Date: n/a
Review Release Event: n/a
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Review Withdrawn Fields: n/a
SAS ID: 2711923
Secure: OPEN
Status: NATIVE
Subject: FRG MEMORANDUM ON EC INDUSTRIAL POLICY
TAGS: ETRD, EIND, EGEN, EEC
To: STATE 'USOECD' MULTIPLE
Type: TE
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